



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

September 30, 1998

MEMORANDUM FOR AA/PPC, Thomas H. Fox

FROM: AIG/A, Everette B. Orr

SUBJECT: Audit of the Status of USAID's Implementation of the Government Performance and Results Act of 1993 (Report No. 9-000-98-005-P)

This is our fourth audit report on the subject of USAID's efforts to prepare for full implementation of the Government Performance and Results Act of 1993. In preparing this report, we considered your comments to our August 24, 1998 draft report and have included these comments as Appendix III. The report does not contain any recommendations.

I appreciate the continuing cooperation and courtesies extended to my staff.

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## Background

In August 1993, Congress enacted Public Law 103-62, called the "Government Performance and Results Act of 1993" (Results Act). The Results Act requires Federal agencies to consult with Congress and other stakeholders to clearly define their mission. It also requires that they establish long-term strategic goals, as well as annual goals that are linked to the strategic goals. Agencies must then measure their performance against the goals they have set and report on how well they are doing in achieving the goals.

The Results Act established the foundation for improving program performance by shifting the focus of Federal agencies towards a single overriding issue: results. With that, according to a General Accounting Office (GAO) report<sup>1</sup>, comes the potential for adding greatly to government performance—a particularly vital goal at a time when resources are limited and public demands are high. Implementation, however, is evolutionary in that proficiency comes with time and experience.

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<sup>1</sup> GAO Executive Guide No. GAO/GGD-96-118, entitled "Effectively Implementing the Government Performance and Results Act," dated June 1996.

The Results Act required that Federal agencies, no later than September 30, 1997, develop strategic plans covering a period of at least five years and submit them to Congress and the Office of Management and Budget (OMB). Strategic plans are intended to be the starting point for agencies' performance measurement efforts. Strategic plans must include a comprehensive mission statement based on the agencies' statutory requirements, a set of outcome-related strategic goals, and a description of how the agencies' intend to achieve those goals.

In addition, Federal agencies are required to develop annual performance plans, beginning with fiscal year 1999, that use performance measurement to reinforce the connection between the long-term strategic goals outlined in their strategic plans and the day-to-day activities of their managers and staff. According to the same GAO report mentioned above, the development of performance measures is a difficult and time-consuming task and agencies may need years to develop and refine a sound set of performance measures. In that same GAO report, it was noted that OMB stated that the development and refinement of performance measures will be an ongoing process.

Annual performance plans are to be tied to an agencies' budget request. In addition, it is intended that annual performance reports link levels of performance to budget expenditures. SFFAS No. 4<sup>2</sup> states that with relevant, reliable, and timely cost information, program managers can make key programmatic decisions that ensure that resources are spent to achieve the expected results and outputs. Moreover, relevant and reliable cost information will assist Congress in making decisions regarding allocation of resources, authorizing and modifying programs, and evaluating Federal agencies' program performance.

Finally, Federal agencies will be required to report annually, beginning no later than March 31, 2000, on actual performance compared to planned performance. Annual performance reports are intended to provide important information to agencies' managers, policymakers, and the public on its accomplishments. According to the Results Act, agency managers can use performance information to continuously improve program effectiveness and internal management, identify where goals are not being met, and take action to modify or improve goals that are unrealistic.

In 1997, the **USAID** Administrator formally designated the Assistant Administrator/Bureau for Policy and Program Coordination (PPC) as the responsible official for implementing the Results Act (in consultation with the Bureau for Management on matters that pertain to the budget). He also charged PPC with developing an overall **USAID** implementation plan.

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<sup>2</sup> Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Standards, dated July 31, 1995.

We began reviewing USAID's efforts to implement the Results Act in April 1996 and since then have issued three reports<sup>3</sup> which discuss the status of USAID plans and actions. This report focuses on whether USAID's current approach to results reporting will meet the reporting requirements of the Results Act.

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## **Audit Objective**

The audit was designed to answer the following question:

**With the current approach, will USAID be able to meet the reporting requirements of the Government Performance and Results Act of 1993?**

Appendix I describes the audit's scope and methodology.

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## **Audit Findings**

US AID submitted its formal strategic plan to the Congress in September 1997. GAO, in a January 1998 report, concluded that USAID had incorporated improvements in its formally-issued strategic plan over its November 1996 draft plan. Nonetheless, GAO also remarked that USAID's strategic plan is a work in progress and difficult planning challenges still remain.<sup>4</sup>

In its annual performance plan, USAID establishes performance goals and indicators for each fiscal year, and describes the data sources that will be used to measure progress towards achievement of those goals. The performance indicators are expressed in terms of country-level development targets and trends and serve as broad indicators by which USAID measures accomplishments. The data is primarily from international sources and is intended to measure the joint efforts of USAID, development partners, and individual countries themselves. The data is generally collected only every few years, time lags exist between the time the data is collected and published, and data is often lacking for a significant number of countries.

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<sup>3</sup> Interim Report on USAID's Implementation of the Government Performance and Results Act of 1993, Report No. 9-000-96-001-S, dated September 27, 1996; Second Survey Report on USAID's Implementation of the Government Performance and Results Act, Report No. 9-000-97-002-S, dated March 31, 1997; and Audit of USAID's Status in Implementing the Government Performance and Results Act of 1993, Report No. 9-000-97-003-P, dated September 30, 1997.

<sup>4</sup> GAO Report No. GAO/GGD-98-44, entitled "Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges," dated January 1988.

As a result, USAID will not be able to meet the reporting requirements of the Results Act since it relies on infrequent, untimely data that is targeted at measuring results for the development community as a whole.

### **Status of USAID's Strategic Plan**

As required by the Results Act, USAID submitted its formally-issued strategic plan to the Congress in September 1997. In January 1998, GAO issued a report on its review of 24 Federal agencies' strategic plans, including USAID's (see footnote 4 on page 3). GAO stated that USAID's formally-issued plan incorporated improvements over its November 1996 draft plan. Specifically, GAO commented that USAID's formally-issued plan contained performance goals which relate to the overall goals and objectives of USAID; included a description of the external factors affecting achievement of the strategic goals; addressed the contribution that development partners make towards achievement of USAID goals and objectives; and included a discussion of crosscutting functions across the U.S. Government. In spite of the fact that improvements have been made, GAO also noted there is still progress to be made and difficult planning challenges to overcome. In the case of USAID, for example, the goals and objectives are still targeted at results over which it does not have a reasonable degree of influence.

### **Status of USAID's Annual Performance Plan**

USAID submitted its annual performance plan for fiscal year 1999 to Congress in February 1998. GAO reviewed USAID's plan, as well as those of other Federal agencies, and issued a report in June 1998<sup>5</sup>. In summary, GAO found that USAID's annual performance plan provides only a partial picture of its intended performance. For example, GAO observed that USAID's plan presented both development and management improvement goals with corresponding performance measures. However, it was also noted that many of the goals and measures are so broadly defined and often reflect the collective performance of the international donor community, which makes it difficult to assess the direct contribution and results of USAID activities.

### **GPRA Reporting Elements**

The Results Act requires Federal agencies to report annually by March 31 on program performance for the previous fiscal year and to compare actual performance to the performance goals expressed in the annual performance plan for that fiscal year. We discussed the legislative intent that performance results be reported for the previous fiscal year with USAID officials and the subject has been referred to USAID's General Counsel for consideration.

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<sup>5</sup> GAO Report No. GAO/NSIAD-98-194R, entitled "The Results Act: Observations on USAID's Fiscal Year 1999 Annual Performance Plan," dated June 25, 1998.

The first annual performance report is due to Congress no later than March 31, 2000, and should report on results for fiscal year 1999. The report for fiscal year 2001 should include actual results for the two preceding fiscal years, and the report for fiscal year 2002, and all subsequent reports, should include results for the three preceding years.

When a performance goal has not been met, the Results Act requires that agencies explain in the report why the goal was not met; specify the plans and schedules for meeting the goal; and if the goal is impractical or not feasible, explain the reasons for that and the action recommended. If an agency finds a goal to be impractical or not feasible, it should include a discussion of whether the goal should be modified. Agencies are also required to indicate in their plans what performance measures they intend to use to demonstrate results and explain how this data will be collected.

In addition to evaluating the progress made toward achieving their annual goals during the immediate past fiscal year, agencies must also evaluate the annual performance plan which established those goals and use this assessment to evaluate their plan for the current fiscal year. Thus, agencies are to evaluate their fiscal year 2000 plans based on reports of fiscal year 1999 performance.

### **USAID's First Annual Performance Plan Established High-Level Goals**

USAID submitted its annual performance plan-for fiscal year 1999—to Congress in February 1998. This plan was prepared by the Bureau for Policy and Program Coordination (PPC) with input from other bureaus. This plan includes 26 high-level program performance goals (measured by 30 performance indicators) each falling under one of USAID's 6 strategic goals! The fiscal year 1999 performance goals and indicators are country-level development targets and trends designed to measure USAID accomplishments for each of four broad geographic regions: Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and the New Independent States.

In accordance with the Results Act, the plan describes how progress will be measured and identifies the sources of the performance results information. The plan indicates that USAID intends to measure its performance against each of the 26 goals through the use of data collected and published primarily by international organizations, such as the World Bank, the United Nations, and Freedom House. This data reflects the development assistance of USAID, development partners, and the recipient countries. The following are examples which illustrate the goals and performance measurement sources in USAID's fiscal year 1999 performance plan:

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<sup>6</sup>USAID's six strategic goals are: 1. Broad-based economic growth and agricultural development encouraged; 2. Democracy and good governance strengthened; 3. Human capacity built through education and training; 4. World population stabilized and human health protected; 5. The world's environment protected for long-term sustainability; and 6. Lives saved, suffering reduced, and conditions for political and/or economic development reestablished.

- ***Proportion of the population in poverty reduced by 25 percent.*** The plan indicates that the source of the information to be used to indicate the success of USAID's performance will be a related performance indicator ***Percent of population below poverty line*** from Table 2.5 of the World Bank's World Development Indicators.
- ***Countries increase primary enrollment ratios fast enough to attain full primary enrollment by 2015.*** The plan indicates that the source of this primary school information to be used to indicate success of USAID's performance will be a related performance indicator ***Net primary enrollment ratio*** from the 1997 UNESCO Statistical Yearbook.
- ***Mortality rates for infants and children under the age of 5 reduced by 25 percent by 2007.*** The plan indicates that the source of the information to be used to indicate the success of USAID's performance will be a related performance indicator ***Under 5 mortality rate*** from Table 2.14 of the World Bank's World Development Indicators.

However, the establishment of high-level goals will not allow USAID to meet the reporting requirements of the Results Act, as discussed in more detail in the following section.

#### **Selected Goals and Data Sources Will Not Allow USAID to Report Timely Performance Information as Intended by GPRA**

USAID's selection of the 26 program performance goals and the data sources included in its fiscal year 1999 plan will not allow it to meet the Results Act reporting requirements. Specifically, USAID will be unable to report on results that it achieved for the immediate past fiscal year because (1) performance data reported by USAID is not collected on a yearly basis; (2) lags exist between the time the data is collected and published; and (3) data reflects the accomplishments of not only USAID, but other donors and recipients. Furthermore, USAID will have very limited information for the immediate past three years of performance.

GAO, in a June 1998 report (see footnote 5 on page 4), concluded that USAID's fiscal year 1999 annual performance plan contains many goals and indicators that are broadly defined and that reflect the collective performance of the entire international donor community. GAO concluded that it will be difficult for USAID to assess its own results for its activities. An earlier GAO report (see footnote 4 on page 3) also stated that US AID's strategic plan "... does not convey the significant problems USAID has had to date generating complete, timely, and reliable financial and performance data-problems that hamper USAID's ability to identify costs and measure performance."

In Annex B to its 1997 Agency Performance Report, issued January 1998, USAID reported on 24 of the 26 performance goals included in its fiscal year 1999 plan<sup>7</sup>. Based on our analysis of the Annex B information and data sources, we anticipate that virtually none of the data sources will release performance data in ample time frames to allow their use in USAID's fiscal year 1999 annual report. To illustrate, the table on page 8 and Appendix II of this report shows that data for 1997 was available for only 1 of the 35 indicators within the 26 performance goals. This indicator is for the **Early neonatal mortality rate** which falls under the performance goal of **Maternal mortality ratio reduced by 10 percent**. Furthermore, this 1997 data was for results in only 2 of 52 countries (see indicator 14a in the table and Appendix II). In addition, in the 1997 report, USAID stated that, "A lack of regular and timely data updates is another common problem with many of these indicators. Data are commonly collected every few years, and are often two to three years out of date."

Moreover, as depicted in the table, the only performance goal in which 1996 data was reported for all countries was **Fertility rate reduced by 20 percent** under the performance indicator **Total fertility rate** (see indicator 12). Of the 25 remaining goals and 34 indicators, 1996 data for some countries was reported for 7 goals and 7 indicators, or about twenty percent of the indicators. In addition, the 1995 data was reported for all countries for only 4 goals and 5 indicators and data for some countries was reported for 11 goals and 14 indicators, or for about forty percent of the indicators.

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<sup>7</sup>USAID also reported on two additional performance goals in its 1997 Annual Performance Report (for a total of 26) that were deleted from its 1999 Annual Performance Plan.

**26 Goals and 35 Indicators**  
**Illustrative Chart Showing Data Reported in USAID's**  
**1997 Annual Performance Report (APR) • See Note 1 Below**

Indicator	Description of Indicator	1997	1996	1995	Notes
1.	<b>GNP per capita</b>			I	
2.	Average annual growth rate of agriculture			I	
3.	Percent of population in poverty		I		
4a.	Average annual growth rate of exports			I	
4b.	Average annual growth rate of imports			I	
4c.	Average annual growth rate of foreign investment			I	
4d.	Economic Freedom Index		I		
5.	Aid as a percentage of GNP			I	
6.	Country classifications as free, partly free, not free			C	
7a.	Composite score for political rights			C	See Note 2
7b.	Composite score for civil liberties			C	See Note 2
8.	Net primary enrollment ratio			I	
9.	Ratio of girls net enrollment ratio to boys			I	
10.	Percent of cohort reaching grade 5				
11.	Gross enrollment ratio in tertiary education			I	See Note 2
12.	Total fertility rate		C		
13.	Under-5 mortality rate			C	
14a.	Early neonatal mortality rate	I	I	I	
14b.	Maternal mortality rate			I	See Note 2
15a.	Adult HIV prevalence rate				
15b.	Percent condom use				See Note 2
16.	Percent of children under 5 who are underweight		I	I	
17.	National environment management strategies				
18.	Nationally protected areas				
19.	Avg. annual growth rate carbon dioxide emissions			I	
20a.	% of urban population with access to safe water				
20b.	% of urban population with access to sanitation				
21a.	GNP per unit of energy use				
21b.	% of energy production from renewable resources				
22.	Average annual change in total forest area			I	
23.	Number of people displaced by open conflict		I		
24.	Percent of refugee children under 5 who are wasted		I		
25.	Crude mortality rate for refugee population				
26a.	Country classifications as free, partly free, not free			C	
26b.	<b>Economic Freedom Index</b>		I		See Note 2

I = Incomplete Data—See Appendix II for a detailed explanation of the data reported in USAID's 1997 APR.  
C = Complete Data

Notes to Table:

1. Although the reporting requirement under the Results Act will not be applicable until March 31, 2000, this illustrative table shows what results would be reported based on our analysis of USAID's 1997 APR.
2. This indicator is not included in the fiscal year 1999 Annual Performance Plan.

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Also, USAID's individual program accomplishments are not distinguishable as a result of the country-level indicators that are reported. As cited in Annex B to the 1997 report, most of the performance data is not directly related to USAID specific programs. Instead, the data reflects the combined efforts and achievements of the entire development assistance community, including development partners and recipient government programs.

Given USAID's approach to reporting results in that (1) performance data is not collected on a yearly basis, (2) time lags exist between data collection and publication, and (3) USAID reports performance data which goes beyond USAID's direct influence, we project that the March 2000 report would be virtually blank since USAID could not adequately report on program performance for fiscal year 1999. In addition, USAID would not be able to (1) review the success of achieving the performance goals for fiscal year 1999; (2) evaluate the performance plan for the current fiscal year, in this case fiscal year 2000, relative to the performance achieved toward the fiscal year 1999 performance goals; and (3) explain and describe where and why a performance goal has not been met. Also, in regards to explaining why a goal has not been met, USAID would not be able to describe the plans and schedules for achieving the established performance goal; or if the goal is impractical or infeasible, why that is the case and what action is recommended.

Finally, USAID's reliance on data sources that tend to measure the accomplishments of the overall development community inhibits its ability to manage for results. By relying on this data, USAID will not be able to accurately identify programs which are under-performing, thereby modifying and deleting programs. Nor can these decisions be made in a timely manner since the data, which is collected by international sources, is gathered on an intermittent basis. And the collected data may not be directly related to the specific USAID programs.

## **Prior Audit Recommendations**

Audit recommendations have already been made in our March 1998 audit report on USAID's financial statements'. Specifically, recommendations were made to establish (1) a common set of indicators for use by operating units to measure progress in achieving USAID goals and objectives and that allow for the aggregation of program results reported by operating units; and (2) procedures to ensure that operating units report results for the year ended September 30 and that the results reported in USAID's annual financial statements and Annual Performance Report be clearly shown as achievements for that year. Since this audit focuses on some similar issues previously reported on and our recommendations in this report would be the same, we are not making these recommendations again.

In addition, our September 1997 audit of the status of USAID's implementation of the Results Act recommended that the AA/PPC develop a detailed work plan, including tasks, responsible offices/individuals and timelines on how the Bureau will oversee the implementation of the Results Act'. The work plan was approved by the AA/PPC on September 28, 1998.

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## **Management Comments and Our Evaluation**

The Bureau for Policy and Program Coordination (PPC) generally agreed that our draft report was factually correct and identified important concerns with regard to USAID's implementation of the Government Performance and Results Act (Results Act), but they believed the report was substantially incomplete. However, PPC did not respond to the specific issues discussed in our report concerning USAID's inability to meet the legislative intent of the Results Act since it relies on infrequent, untimely data that is targeted at measuring results for the development community as a whole. In effect, USAID will not be able to report on its performance in a timely manner.

The following discussion provides: (1) PPC's reasons as to why they believe that our report was substantially incomplete (USAID Comments); and (2) the OIG's analysis of these comments (OIG Response).

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<sup>8</sup>USAID Audit Report No. 0-000-98-001-F, entitled "Reports on USAID's Financial Statements, Internal Controls, and Compliance for Fiscal Years 1997 and 1996," dated March 2, 1998, Recommendation Nos. 5 and 7.1.

<sup>9</sup>USAID Audit Report No. 9-000-97-003-P, entitled "Audit of USAID's Status in Implementing the Government Performance and Results Act of 1993," dated September 30, 1997.

## **USAID Comments**

*“First, and most importantly, the report’s heavy focus on indicators and data fails to recognize that USAID is itself well aware and has frequently noted that the **performance** goals and indicators outlined in the Agency Strategic Plan and Annual **Performance Plan** do not, by themselves, tell the whole story of the Agency’s **performance**. Rather, as discussed in detail in the Agency Strategic Plan, Annual **Performance Plan**, and a variety of other formal documents, USAID views these performance indicators as reference points--the larger development trends that USAID hopes to contribute to--which the Agency must analytically link to the results of its operational level programs through performance monitoring, program reviews (**R4s**), and evaluations, as summarized in our Annual Performance Report.”*

## **OIG Response**

The overriding issue that PPC does not address is that the Results Act intends for agencies to report their performance results in a timely manner. Our analysis of Annex B to the 1997 Annual Performance Report (APR) clearly shows that USAID will not be able to report on its performance (distinguishable from the accomplishments of the entire development community) and that the information it will report on the performance of the entire development community will not be current.

## **USAID Comments**

*“The GAO also recognizes the limitations inherent in focusing only on indicators. The GAO states, “...**Performance** measurement is an essential part of good management, and **performance** reporting is an essential part of government accountability. Important limitations and **difficulties** associated with performance measurement and reporting should be noted. ...**For example, performance** usually cannot be fully described by a single measure, indicators of service **efforts** and accomplishments do not, by themselves, indicate why **performance** is at the level reported and reporting **quantifiable** indicators can sometimes have unintended consequences... For these and other reasons, the three categories of performance measures [output, outcome and **efficiency** measures] generally need to be accompanied by suitable explanatory information. Indeed, narrative information is an essential part of reporting on performance. Explanatory information includes both quantitative and narrative information to help report users understand reported measures, assess the reporting entity’s performance, and evaluate the significance of underlying factors that may have affected the reported performance.” (GAO, Accounting Standards FASAB (Federal Accounting Standards Advisory Board) Volume 1, Statement of Federal Financial Accounting Concepts and Standards (SFFACS), p.51).”*

## **OIG Response**

We agree that indicators are not an end to themselves. Again, the challenge that USAID faces is that it has designed an APR that will not report on USAID's performance.

## **USAID Comments**

*“Second, at no time has USAID considered reporting only at the Agency performance goal level and thereby abandoning reporting of performance at the level of an operating unit's strategic objective. Each of USAID's five past performance report has included performance information at the operating unit level. In fact USAID's experience over the past five years in seeking ways to meaningful aggregate the diversity of activities supported by USAID in the diversity of settings indicates the difficulty of the task facing USAID. Other GAO documents also indicate other USG agencies with less complex mandates are having equally an difficult time. USAID fully recognizes the difficulty of the task. This year's Annual Performance Report seeks to demonstrate how well USAID will be able to associate performance at an operating unit level with an Agency performance indicator.”*

## **OIG Response**

PPC does not address how USAID will make the association between what it does and the higher level indicators it is reporting in its APR nor has USAID provided us with any documentation for such plans. Under the current approach to reporting on performance, it appears that USAID will only be able to report anecdotal information on its performance as examples of what it did to help achieve the much larger outcome being reported in the APR. Again, these results come from the contributions of many donors as well as the contributions of developing countries. We do not dispute the difficulty that the Agency is having/going to have with the issue of aggregation. Our report clearly acknowledges that many federal agencies are having difficulty with the implementation of the Results Act.

## **USAID Comments**

*“Third, the draft audit does not acknowledge that USAID has established a comprehensive system of strategic objectives and performance indicators for all of our operational programs. While the Agency does not believe that it is feasible, at least in the short term, to translate the diversity of USAID's operational results into a small set of “common” output measures, it continues to actively explore (in close consultation with the IG and others) whether these operational level objectives and indicators might be more formally incorporated in USAID's GPRA performance goals and reporting. The search for useful “common indicators” has been the topic of working papers and meetings with the GAO, OMB, and external implementing partners and others. The IG has participated in a number of these sessions. Again, USAID (like the GAO) note that an over emphasis on*

*capturing or characterizing performance in a few quantitative indicators, given the diversity of USAID's activities, can sometimes have unintended consequences. Nevertheless, USAID's efforts will continue. The development of the Democracy Indicators handbook is one recent example of the Agency's on-going effort to find ways to enable more consistent and useful reporting of the progress and eventual impact of USAID's activities. "*

### **OIG Response**

USAID's "comprehensive system" of strategic objectives and performance indicators are generally not reported in the APR. The performance indicators in the APR are high-level outcomes for all the donors and recipients countries and are derived from external sources of information like the World Bank and United Nations. USAID's "comprehensive system" of strategic objectives and indicators comprises hundreds of different measures at the operating unit level which are only used as illustrative examples of performance in USAID's APR. Thus, other than some very limited examples, USAID does not report on its performance in the APR.

Our previous recommendation that USAID establish common indicators (see report section entitled "Prior Audit Recommendations") was made to facilitate USAID's reporting on its performance from its comprehensive system of strategic objectives and performance indicators so that USAID could report on USAID's performance in its APR. In response to our recommendation, on September 11, 1998, PPC reported that it will "work toward development of widely applicable indicators that allow for maximum possible aggregation of program results by operating units." We agree with PPC's intent to develop common indicators because, once implemented, USAID will be able to report on its performance in the APR.

### **USAID Comments**

*"USAID's efforts to address GPRA requirements and to meet the "difficult planning challenges" of the Results Act embodies are readily apparent in the GPRA Implementation Plan prepared by PPC and in the high level attention given this topic in USAID's virtually unprecedented world- wide Mission Directors' Conference in November. "*

PPC delivered its plan to implement the Results Act to us on September 29, 1998. We are now reviewing the plan to determine if it has steps to implement the intent of the Results Act to measure USAID's performance in a timely manner.

<p><b>SCOPE AND METHODOLOGY</b></p>
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## **Scope**

The Office of the Inspector General, Performance Audits Division in Washington, D.C. conducted an audit of USAID's status of implementing the Government Performance and Results Act of 1993 (Results Act). The audit was made in accordance with generally accepted government auditing standards.

Field work was conducted at the Bureau for Policy and Program Coordination and other USAID Bureaus in Washington, D.C., as deemed appropriate. We conducted the work from October 1, 1997 through August 18, 1998. We also held discussions with officials from the Office of Management and Budget, General Accounting Office, and various contractors. We limited our review to the reporting requirements and legislative intent of the Results Act for USAID's fiscal year 1997 Agency Performance Report and fiscal year 1999 Annual Performance Plan.

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## **Methodology**

The Results Act establishes requirements for USAID, along with other Federal agencies, to improve the overall effectiveness of its programs through strategic planning and performance measurement. Under the Results Act, agencies are required to develop (1) strategic plans which establish long-term goals, (2) annual performance plans that establish annual goals that are linked to the long-term strategic goals, and (3) annual reports that measure performance against the goals.

During our audit, we reviewed various criteria. This included the Results Act; OMB circulars, bulletins, and other guidance; GAO reports and guidance; and Federal financial accounting standards. We used these documents to determine their applicability to the

Federal Government in general, and to **USAID** specifically, in order to measure how **USAID** is meeting the Results Act requirements.

We reviewed **USAID**'s September 1997 Strategic Plan and fiscal year 1999 Annual Performance Plan and interviewed **USAID** officials to obtain an understanding of **USAID**'s efforts in implementing and achieving the Results Act requirements. We also reviewed GAO reports to gain an understanding of how they interpreted the progress that **US AID** and other Federal agencies had made in implementing Results Act requirements.

We also reviewed the 1997 Agency Performance Report, issued in January 1998, to determine **USAID** progress towards reaching full compliance with the requirements of the Results Act. We interviewed **USAID** and contractor officials to determine what data sources were used to report performance results.

**USAID's 26 Goals and 35 Indicators**  
**Explanation of Data Reported/Not Reported in**  
**USAID's 1997 Annual Performance Report**

Indicator	Description of Indicator	Explanation of Data Reported/Not Reported
1.	GNP per capita	Data is reported for 1985- 1995 for 48 of 66 countries; 11 of 66 countries reported data, but not for entire period (1985- 1995); 7 of 66 countries reported no data for the entire period (1985-1 995).
2.	Average annual growth rate of agriculture	Data is reported for 1985- 1995 for 33 of 66 countries; 2 1 of 66 countries reported data, but not for entire period (1985-1995); 12 of 66 countries reported no data for the entire period (1985- 1995).
3.	Percent of population in poverty	1 of 66 countries reported data for 1996; 38 of 66 countries reported data for 1994 and prior; 27 of 66 countries reported no data for any year.
4a.	Average annual growth rate of exports	Data is reported for 1985- 1995 for 33 of 66 countries; 11 of 66 countries reported data, but not for entire period (1985-1995); 22 of 66 countries reported no data for the entire period (1985- 1995).
4b.	Average annual growth rate of imports	Data is reported for 1985-1995 for 33 of 66 countries; 11 of 66 countries reported data, but not for entire period (1985- 1995); 22 of 66 countries reported no data for the entire period (1985-1995).
4c.	Average annual growth rate of foreign investment	Data is reported for 1985- 1995 for 27 of 66 countries; 33 of 66 countries reported data, but not for the entire period (1985- 1995); 6 of 66 countries reported no data for the entire period (1985-1995).
4d.	Economic Freedom Index	57 of 66 countries reported data for 1996; 9 of countries reported no data for 1996.
5.	Aid as a percentage of GNP	60 of 66 countries reported data for 1995; 6 of 66 countries reported no data for 1995.
6.	Country classifications as free, partly free, not free	All 63 countries reported data for 1995.
7a.	Composite score for political rights	All 63 countries reported data for 1995.
7b.	Composite score for civil liberties	All 63 countries reported data for 1995.
8.	Net primary enrollment ratio	5 of 23 countries reported data for 1995; the most recent data reported for 12 of 23 countries was for either 1994 or a prior year; 6 of 23 countries reported no data for any year.
9.	Ratio of girls net enrollment ratio to boys	4 of 23 countries reported data for 1995; the most recent data reported for 13 of 23 countries was for either 1994 or a prior year; 6 of 23 countries reported no data for any year.
10.	Percent of cohort reaching grade 5	The most recent data reported for 20 of 23 countries was for either 1994 or a prior year; 3 of 23 countries reported no data for any year.
11.	Gross enrollment ratio in tertiary education	6 of 23 countries reported data for 1995; 16 of 23 countries reported data for either 1994 or 1985 as the most recent year; 1 of 23 countries reported no data for any year.
12.	Total fertility rate	All 52 countries reported data for 1996.
13.	Under-5 mortality rate	All 52 countries reported data for 1995.
14a.	Early neonatal mortality rate	2 of 52 countries reported data for 1997; 8 of 52 countries reported data for 1996; 6 of 52 countries reported data for 1995; the most recent data reported for 14 of 52 countries was for either 1994 or a prior year; 22 of 52 countries reported no data for any year.
14b.	Maternal mortality rate	5 of 52 countries reported data for 1995; the most recent data reported for 26 of 52 countries was for either 1994 or a prior year; 21 of 52 countries reported no data for any year.

**USAID's 26 Goals and 35 Indicators**  
**Explanation of Data Reported/Not Reported in**  
**USAID's 1997 Annual Performance Report**

Indicator	Description of Indicator	Explanation of Data Reported/Not Reported
15a.	Adult HIV prevalence rate	All 52 countries reported data for 1994.
15b.	Percent condom use	No data was reported for any of the 52 countries for any year because no data source has been developed.
16.	Percent of children under 5 who are underweight	1 of 52 countries reported data for 1996; 6 of 52 countries reported data for 1990- 1996; 9 of 52 countries reported data for 1995; the most recent data reported for 25 of 52 countries was for either 1994 or a prior year; 11 of 52 countries reported no data for any year.
17.	National environment management strategies	The latest strategy prepared was for 1994 and for only 1 out of a total of 53 countries; no strategies have been prepared for 17 of 53 countries.
18.	Nationally protected areas	52 of 53 countries reported data for 1994; 1 of 53 countries reported no data for any year.
19.	Avg. annual growth rate carbon dioxide emissions	Data is reported for 1988- 1995 for 43 of 53 countries; 8 of 53 countries reported data, but not for the entire period (1988-1995); 2 of 53 countries reported no data for the entire period ( 1988- 1995).
20a.	% of urban population with access to <b>safe</b> water	42 of 53 countries reported data for either 1985 or 1993; 11 of 53 countries reported no data for either 1985 or 1993.
20b.	% of urban population with access to sanitation	40 of 53 countries reported data for either 1985 or 1993; 13 of 53 countries reported no data for either 1985 or 1993.
21a.	GNP per unit of energy use	49 of 53 countries reported data for 1994; 4 of 53 countries reported no data for any year.
21b.	% of energy production from renewable resources	No data was reported for any of the 53 countries for any year because no data source has been developed.
22.	Average annual change in total forest area	52 of 53 countries reported data for both 1990 and 1995; 1 of 53 countries reported no data for either 1990 or 1995.
23.	Number of people displaced by open conflict	18 of 25 countries reported data for either 1990 or 1996; 7 of 25 countries reported no data for either 1990 or 1996.
24.	Percent of refugee children under 5 who are wasted	2 of 25 countries reported data for 1996; 22 of 25 countries reported no data for 1996.
25.	Crude mortality rate for refugee population	No data was reported for any of the 25 countries.
26a.	Country classifications as free, partly free, not free	All 25 countries reported data for 1996.
26b.	Economic Freedom Index	17 of 25 countries reported data for 1996; 8 of 25 countries reported no data for 1996.



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

SEP 23 1998

MEMORANDUM FOR AIG/A, Everette B. Orr

FROM: A-AA/PPC, Larry Garber *72*

SUBJECT: Comments on DRAFT GPRA Audit Report

Though we began from very different perspectives, USAID and the IG have been working hard to develop a common understanding of how we can best meet the intent of the Results Act ("GPRA"). However, while the draft GPRA audit report seems factually correct, and identifies real concerns that USAID shares and is endeavoring to address, it is our view that it's substantially incomplete.

First, and most importantly, the report's heavy focus on indicators and data fails to recognize that USAID is itself well aware and has frequently noted that the performance goals and indicators outlined in the Agency Strategic Plan and Annual Performance Plan do not, by themselves, tell the whole story of the Agency's performance. Rather, as discussed in detail in the Agency Strategic Plan, Annual Performance Plan, and a variety of other formal documents, USAID views these performance indicators as reference points -- the larger development trends that USAID hopes to contribute to -- which the Agency must analytically link to the results of its operational level programs through performance monitoring, program reviews (R4s), and evaluations, as summarized in our Annual Performance Report.

The GAO also recognizes the limitations inherent in focusing only on indicators. The GAO states, "... Performance measurement is an essential part of good management, and performance reporting is an essential part of government accountability. Important limitations and difficulties associated with performance measurement and reporting should be noted. . . . For example, performance usually cannot be fully described by a single measure, indicators of service efforts and accomplishments do not, by themselves, indicate why performance is at the level reported and reporting quantifiable indicators can sometimes have unintended consequences... For these and other reasons, the three categories of performance measures [output, outcome and efficiency measures] generally need to be accompanied by suitable explanatory information. Indeed, narrative information is an

essential part of reporting on performance. Explanatory information includes both quantitative and narrative information to help report users understand reported measures, assess the reporting entity's performance, and **evaluate** the significance of underlying factors that may have affected the reported performance." (GAO, Accounting Standards **FASAB** (Federal Accounting Standards **Advisory** Board) Volume 1, Statement of Federal Financial Accounting Concepts and Standards (SFFACS), p. 51).

Second, at no time has **USAID** considered reporting only at the Agency performance **goal level** and thereby abandoning reporting of performance at the level of an operating unit's strategic objective. Each of **USAID's** five past performance report has included performance information at the operating unit level. In fact, **USAID's** experience over the past five years in seeking ways to meaningful aggregate the diversity of activities supported by **USAID** in the diversity of settings indicates the difficulty of the task facing **USAID**. Other GAO documents also indicate other USG agencies with less complex mandates are having equally an difficult time. **USAID** fully recognizes the difficulty of the task. This year's Annual Performance Report seeks to demonstrate how **well** **USAID** will be able to associate performance at an operating unit level with an Agency performance indicator.

Third, the draft audit does not acknowledge that **USAID** has established a comprehensive system of strategic objectives and performance indicators for all of our operational programs. While the Agency does not believe **that** it is feasible, at least in the short term, to translate the diversity of **USAID's** operational results into a small set of "common" output measures, it continues to actively explore (in close consultation with the IG and others) whether these operational level objectives and indicators might be more formally incorporated in **USAID's** GPRA performance goals and reporting. The search for useful "common indicators" has been the topic of working papers and meetings with the GAO, OMB, and external implementing partners and others. The IG has participated in a number of these sessions. Again, **USAID** (like the GAO) note that an over emphasis on capturing or characterizing performance in a few quantitative indicators, given the diversity of **USAID's** activities, can sometimes have unintended consequences. Nevertheless, **USAID's** efforts will continue. The development of the Democracy Indicators handbook is one recent example of the Agency's on-going effort to find ways to enable more **consistent** and useful reporting of the progress and eventual impact of **USAID** activities.

**USAID's** efforts to address GPRA requirements and to meet the "difficult planning challenges" of the Results Act embodies are readily apparent in the GPRA **Implementation** Plan prepared by PPC and in the high level attention given this topic in **USAID's** virtually unprecedented world-wide Mission Directors' Conference

in November.

In closing **USAID** appreciates the opportunity to comment and looks forward to continued work with the OIG and others to implement the intent of GPRA.